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DRUG CHANNELS
Expert Insights on Pharmaceutical Economics and the Drug Distribution System



MONDAY, FEBRUARY 24, 2020

# Latest Express Scripts Data: Slow Drug Spending Growth—And Big Plan Savings from Manufacturer Copay Programs

Last week, Cigna's Express Scripts business released its 2019 Drug Trend Report. The results are presented as a webpage, so there's no download this year. (For 2021, I presume it will delivered via TikTok.)

Contrary what you hear from our politicians, we again see that drug spending is not skyrocketing.

For commercial plan sponsors, pharmacy benefit spending grew by only 2.3%. The majority of spending growth was due the growth in the number of people being treated and the number of prescriptions being dispensed—not to increases in the net, post-rebate costs of the drugs.

Express Scripts also disclosed some startling savings from SaveonSP, an offering run by a secretive private company. As I explain below, SaveonSP declares specialty drugs to be "non-essential health benefits" and then extracts funds from manufacturers' copay programs to pay for the drugs anyway. Is SaveonSP saving money, or merely exploiting a loophole by diverting funds that manufacturers provide for patient support?

## SLOW AND STEADY

For Express Scripts' commercial plan sponsor clients, the overall weighted average increase in spending for 2019 was only 2.3%. Spending on specialty drugs grew by 11.6%, while spending on traditional drugs dropped by -5.0%.

The chart below tracks trends for Express Script's commercial clients for the past six years. In 2014, spending spiked upwards due to new drugs that treated hepatitis C. Since then, a major slowdown has occurred in commercial drug spending growth.

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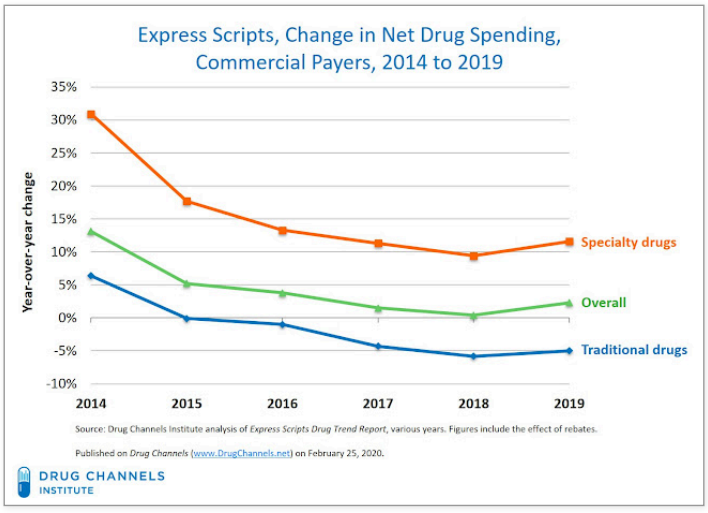


A few comments on these data:

- Drug costs are reported net of rebates received by plans, so they reflect net (not list) prices paid by third-party payers. Note that the cost figures include (1) retail and mail pharmacy dispensing margins, and (2) any PBM retail network spreads.
- The slow spending growth echoes the findings from the government's National Health Expenditures accounts. See Latest CMS Data: Drug Spending is Not Skyrocketing; Hospitals and Physicians Dominate Healthcare Costs. The government's data do not distinguish spending on traditional drugs from spending on specialty drugs.
- These data highlight an important reality of PBMs for plan sponsors: Net plan spending on pharmacy benefit drugs has been growing more slowly than spending

Drug Channels is written by Adam J. Fein, Ph.D. Dr. Fein is President of Drug Channels Institute, an HMP Global company. Read More...

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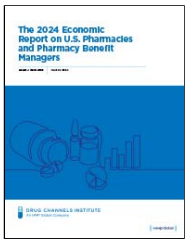


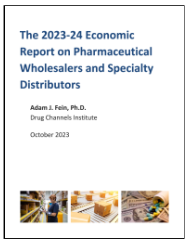


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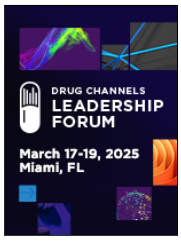


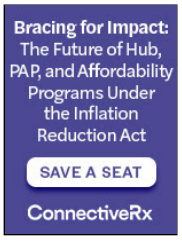


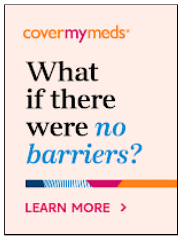


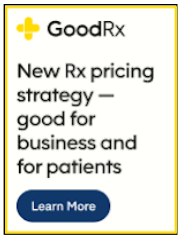


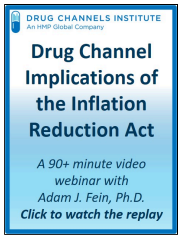


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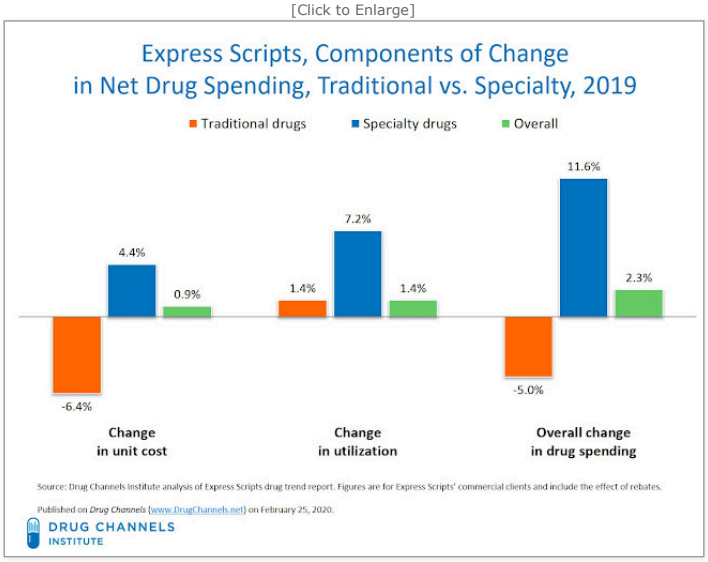
Year-over-year changes in drug spending have two primary components:

- **Unit costs**—the payer's cost per unit of therapy. Unit costs vary with:
  - The rate of inflation in net, post-rebate drug prices
  - Shifts to different drug options within a therapeutic class
  - A shift in mix of therapeutic classes utilized by beneficiaries
  - The substitution of generic drugs for brand-name drugs
- **Utilization**—the total quantity of drugs obtained by a payer's beneficiaries. Utilization varies with:
  - The number of people on drug therapy
  - The degree to which they adhere to their drug therapy
  - The average number of days of treatment.

The total change in spending equals the sum of changes in unit cost and changes in utilization. Understanding this mix of cost and quantity is crucial to understanding what drives drug spending. Unfortunately, many journalists and politicians conflate the two effects.

Express Scripts provided me with the underlying data that deconstructs the change in drug spending into these two primary components. (Oddly, this year's published report did not include these data.) As you can see below, growth in utilization exceeded growth in costs for both traditional and specialty drugs.

[Click to Enlarge]




For Express Scripts' commercial clients, for instance, the 7.2% increase in specialty drug utilization accounted for more than 60% of the 11.6% increase in specialty drug spending. Utilization growth can be considered a positive trend, because it is well established that pharmaceutical spending reduces medical spending and improves patients' health.

Translation: It's not just prices.

Note that these data do not imply that net costs for all specialty drugs grew slowly or declined. Express Scripts provided more detailed information about trend by therapeutic category. (These data appear in the Trend overview by plan type section of its report and can be viewed by clicking the "Show table" button.) For example, inflammatory conditions and oncology both experienced a double-digit increase in trend, driven by unit costs. Those two categories accounted for less than 1% of adjusted prescriptions but 28% of spending.

I'll have a deep dive on drug spending and pharmacy revenues in our forthcoming *2020 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*.

**BLOGSPLAINING SAVEONSP**

Express Scripts reports that specialty trend was -5.2% for plans in its SaveonSP specialty patient assistance solution vs. +12.3% for nonparticipating plans. That's a surprisingly large 17.5% gap.

There is limited public information on SaveonSP. It's a secretive private company with an amazingly uninformative webpage. Huh?

Here's how SaveonSP works (I think):

- A commercial plan sponsor designates almost every specialty drug that has a manufacturer copay support program as a "non-essential health benefit." Non-essential drugs are still covered by the plan, but are not subject to the Affordable


Mapping the Vertical Integration of Insurers, PBMs, Specialty Pharmacies, and Providers: A May 2024 Update


The Top 15 Specialty Pharmacies of 2023: Market Shares and Revenues at the Biggest PBMs, Health Plans, and Independents


Independents Outshine PBMs in Manufacturers' Exclusive Specialty Pharmacy Networks


Drug Channels News Roundup, April 2024: CVS's Humira Strategy, White Bagging "Savings," IRA vs. Part D Plans, Walgreens Specialty Update, Pharmacies vs. GoodRx, and Oncology Fun


The Top Pharmacy Benefit Managers of 2023: Market Share and Trends for the Biggest Companies—And What's Ahead

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care Act (ACA) Essential Health Benefit requirements and can be removed from the out-of-pocket maximums required by the ACA.

Click here to view the list of the more than 150 drugs excluded from coverage on the Ohio State University health plan.. As you can see, the list includes such widely prescribed products as Harvoni, Humira, Ibrance, Remicade, Revlimid, and many more. I'm certain that most patients and physicians would not consider these therapies to be non-essential.

- Copayments for these drugs are set equal to the maximum annual value of a manufacturer's copayment program. This amount is applied evenly throughout the benefit year, i.e., the total dollar value of the program is divided by 12. For instance, a program with a total value of $20,000 in copayment support would equate to a monthly copayment of $1,666.

  ***Note that the copayment is not based on the list or net price of the drug***. It appears to be determined solely based upon the amount of manufacturer-funded copay assistance.
- To avoid these costs, the plans' beneficiaries must enroll in SaveonSP. A patient's actual out-of-pocket costs are $0, so they never reach any annual deductible and out-of-pocket maximum based on these drugs. The value of the manufacturer's copayment support does not count toward the patient's deductible and out-of-pocket maximums.

  SaveonSP therefore has elements of a **copay maximizer** program, which I discuss and model in Copay Accumulator Update: Widespread Adoption As Manufacturers and Maximizers Limit Patient Impact. Using some fairly conservative assumptions, I show that the manufacturer retains only about 40% of the list price, before paying any other channel discounts. It pays roughly 60% of the costs of its drugs through a combination of rebates and copay support.
- Prescriptions are filled exclusively from Express Scripts' Accredo specialty pharmacy, which earns its usual pharmacy dispensing margins from these prescriptions.

Is this chicanery OK?

SaveonSP clearly exploits a loophole in the way manufacturers provide funds for patient support. Money that is designated to support underinsured patients or those with coinsurance are instead diverted to well-funded employer-sponsored plans. Consider what would happen if plans declared common hospital and physician services to be "non-essential" and thereby forced providers to subsidize a health plan's spending from their reserves.

This program also relies on manufacturer program levels to determine the copay amount. But if a manufacturer reduces the maximum copay support amount or if SaveonSP gets its figures wrong, the patient would be liable for payment—even after being told they would have $0 responsibility.

Keep an eye on SaveonSP. It may look harmless, but seems highly questionable to me.

Print Posted by Adam J. Fein, Ph.D. on Monday, February 24, 2020 8 Comments
Labels: Benefit Design, Co-pay Offset Programs, Copay Accumulator Adjustment, Costs/Reimbursement, PBMs, Specialty Drugs

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## DRUG CHANNELS IN THE NEWS

Medicare-Negotiated Drugs May Not Get Favorable Coverage In Part D: Will CMS Intervene? *The Pink Sheet*

Boehringer Ingelheim to cap asthma inhaler out-of-pocket costs at $35 *STAT*

Latest Formulary Exclusions from Top PBMs Demonstrate Issues in the Drug Pricing Landscape *First Report Managed Care*

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CVS Plans to Overhaul How Much Drugs Cost *The Wall Street Journal*

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Amazon Once Inspired Fear in the Health-Care Industry. No Longer *Bloomberg*

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Rite Aid Bankruptcy Follows Years of PBM Misadventure *Radar on Drug Benefits*

What CVS Stands to Gain by Setting Up Biosimilar Subsidiary Cordavis *MedCity News*

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CVS Health Dives As Blue Shield Of California Taps Mark Cuban, Amazon In Challenge To PBM Model *Investor's Business Daily*

A Big Health Insurer Is Ripping Up the Playbook on Drug Pricing *The Wall Street Journal*

Patients already paying price for PBMs diverting copay cash meant for needy *ABC6*

PBMs Keep New Biosimilars on Equal Footing With Best-Selling Humira, *Radar on Drug Benefits*

Accumulators, Maximizers, Alternative Funding Models Contribute to 'Doom Loop of Specialty Drug Benefits' *AIS Health*

How to Beat the Rising Cost of Prescription Drugs *Consumer Reports*

Average salaries for retail pharmacists grows for first time in three years *MM+M*

Coherus works with Mark Cuban to sell biosimilar Humira at steep discounts *STAT*

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**benjammin**
4 years ago

"The results are presented as a webpage, so there's no download this year. (For 2021, I presume it will delivered via TikTok.)"

"There is limited public information on SaveonSP. It's a secretive private company with an amazingly uninformative webpage."

Adam these two comments killed me.....great work!

0 0

**Gary**
4 years ago

Adam,

As yes, Express Scripts touts its low costs of dispensing. Those are hollow words when one only considers what copay accumulators really do to a patient, the dollar amount of rebates ESI and others extort from drug manufacturers, the fact they steer patients to their specialty pharmacies and mail order facilities, not to mention the spread pricing that occurs which many plan sponsors are unaware is happening. Anyone can sugarcoat anything, but once we all dig into the real facts, it's very easy to see who benefits, and it is not the patient or plan sponsor - it is the PBM and its shareholders who demand ever increasing profits and stock value increases. Without a doubt, the costs are hidden - ask Express Scripts about how their negative formulary has increased over the past five years to favor higher cost brand name drugs vs. far lesser cost generic equivalents. In fact, ask them (and the other PBMs) about why Humalog continues to be on their formularies vs. Insulin Lispro which is exactly 50% less costly, and then compare the rebates for these products ranging from 53% to 60% on the two list prices. Greed once again rears its ugly head.

0 0

**Steve Boehning** → Gary
4 years ago

Could not agree more!

0 0

**Brad H** → Gary
4 years ago

I bet the Humalog price after rebate for ESI is still significantly cheaper than biosim Insulin Lispro. That's why they are staying with Humalog. They will recover more from the patient too, but is that a material amount to ESI?

0 0

The Healthcare World According to Fein *Managed Healthcare Executive*

Drug Middlemen Accused of Price Fixing by Ohio Attorney General *The Wall Street Journal*

Drugmakers push back on a clever tactic employers use to avoid paying for specialty medicines *STAT*

New Drug Channels Institute Study Analyzes Impact of Inflation Reduction Act on U.S. Prescription Market *PR Web*

The End of AbbVie's $200 Billion Monopoly Won't Sink the Stock *The Wall Street Journal*

U.S. Appeals Court Sides With Drugmakers on Discount Program *The Wall Street Journal*

Pharmacies Hit By Restrictions On 340B Drug Discounts *Inside Health Policy*

A Softbank-backed pharmacy startup is working to tackle a $300-billion-a-year prescription drug crisis *Fortune*

Tackling cancer while battling the insurance system *The Washington Post*

Industry Expert: Specialty Pharmacy Market Is at 'Inflection Point', *AIS Health*

'It is legal extortion': Diabetics pay steep price for insulin as rebates drive up costs *USA Today*

## INDUSTRY NEWS AND BLOGS

**Drug Store News - Pharmacy**
Dollar General taps Lee DeVille as senior VP, store operations

**STAT**
WuXi Biologics beefs up its lobbying operation

**Chain Drug Review**
Walmart's Q1 earnings and revenue beat estimates

**Endpoints**
AstraZeneca's successor to Covid blockbuster Evusheld succeeds in Phase 3 trial

**PR Newswire: Health Insurance**
RRD Recognized for Exceptional Leadership in Employee Benefits

**Fierce Pharma**
SpringWorks kicks off 'Coping isn't Care' campaign ahead of potential new drug approval

**MMIT Network**
Datapoint: FDA Approves Pfizer's Hemophilia B Treatment

**Biosimilars Review & Report**
Learnings From Their Earnings (Reports)

**PCMA**
ICYMI: Medicare "Delinking" Does Not Result In Savings, Increases Costs For Seniors And Taxpayers

**Eye on FDA**
FDA Adds New AdComm to Address Genetic Metabolic Diseases

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G **Gary** → Brad H
4 years ago

I spoke with a middle management executive at one of the big three insulin manufacturers last week and here is what he told me: rebates on insulin range from 53% to 60%. When the less costly Insulin Lispro products were introduced, the PBMs were/are still given the same percentage rebate but on a WAC price that is 50% of the originator product. So yes, it is absolutely nothing more than greed that keeps the less costly alternatives off PBMs' formularies, when in fact these exact equivalents COULD help reduce diabetic patients' costs. Why should a PBM settle for just half when they can take the whole enchilada? Only their shareholders know for sure, but in reality, so do all of us looking into the PBM opacity well. They are not fooling anyone.

0 0

ER **Employer Rx Advocate**
4 years ago

SaveonSP is one to watch; however, this still allows the specialty claim to flow through the adjudication system and have employer responsibility to pay for the remaining claim cost.

We are seeing companies now that have employers "exclude" the high cost specialty medication from the employee coverage, making the employee functionally under-insured, and then working through advocacy channels, dollars earmarked for those who need the care most, and remove all costs from the plan, net a "savings fee".

Keep an eye on those!

0 0

M **Mel Brodsky**
4 years ago

As the PBMs continue to take control of our Pharmacy industry - we are getting closer and closer to 3rd world healthcare while the PBMs make Billions.

0 0

M **ME**
4 years ago

Dr. Fein:

Another excellent article.

Based on your description, plans are benefiting from copay cards. Does this mean that efforts to ban cards will backfire?

Thank you.

0 0

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